

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 0 — 0 0 5

2. STATE:

Wisconsin

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2000

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.30

7. FEDERAL BUDGET IMPACT:

a. FFY 2000 \$73.95K

b. FFY 2001 \$221.85K

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Pages 3 & 4.5 of Attachment 4.19-B

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):
Same

10. SUBJECT OF AMENDMENT:

Outpatient Hospital Reimbursement

11. GOVERNOR'S REVIEW (Check One):

- ☒ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Peggy L. Bartels

13. TYPED NAME:

Peggy L. Bartels

14. TITLE:

Administrator, Division of Health Care Financing

15. DATE SUBMITTED:

September 21, 2000

16. RETURN TO:

Peggy L. Bartels, Administrator
Division of Health Care Financing
P.O. Box 309
Madison, WI 53701-0309**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

9/26/00

18. DATE APPROVED:

4/25/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:

Cheryl A. Harris

21. TYPED NAME:

Cheryl A. Harris

22. TITLE: Associate Regional Administrator
Division of Medicaid and Children's Health

23. REMARKS:

1. *Increase for mental health services.* Outpatient base year allowable costs shall be adjusted to allow increased payment for outpatient mental health services. A hospital's outpatient base year allowable costs shall be increased by 2% of the Wisconsin Medical Assistance Program payments to the hospital for outpatient mental health services provided in calendar year 1990.
2. *Capital cost reduction.* Capital costs, which are included in the base year outpatient allowable costs, shall be reduced by 10% for all hospitals.
3. *Base year increase.* Base year costs, after including the above two adjustments, shall be increased by the appropriate percentage below.

For outpatient base years beginning on or between	Adjustment Factor	
	Effective July 1, 1997	Effective July 1, 2000
January 1, 1987 through June 30, 1987	15.98%	19.48%
July 1, 1987 through January 1, 1988	13.70%	17.29%

4300 Calculation of Rural Hospital Adjustment Per Outpatient Visit

4320 Qualifying Criteria. A hospital may qualify for the rural hospital adjustment to its outpatient payment if it meets all of the following criteria:

1. The hospital is located in a rural Wisconsin area, which means that it is not located in a metropolitan statistical area (MSA) which is being used by HCFA in the Medicare program as of the effective date of the annual update.
2. As of January 1, 1991, the hospital was classified in a rural wage area by Medicare.
3. The hospital has not been permanently assigned MSA status by HCFA as of July 1, 1993.
4. The hospital is not classified as a Rural Referral Center by Medicare.
5. For annual updates on and after July 1, 1998, the hospital's combined Medicare and Medicaid utilization rate of the hospital, *as determined based on charges*, has been equal to or greater than 50.0%. For annual updates prior to July 1, 1998, the hospital's combined Medicare and Medicaid utilization rate of the hospital, *as determined based on charges*, has been equal to or greater than 55.0%.

The hospital's combined Medicare and Medicaid utilization rate will be determined based on charges for inpatient and outpatient services provided during the hospital's fiscal year which ended in the calendar year ending two years prior to the annual update. (Example, for July 1, 1995, the hospital's fiscal year ending in 1993 will be used). The hospital's total charges for Medicare (Title XVIII) and Medicaid (Title XIX) services will be divided by the hospital's total charges for all patient services provided during its fiscal year, resulting in the combined Medicare and Medicaid utilization rate. Hospitals that receive an adjustment under this section are not eligible to receive a critical access hospital interim cost payment adjustment under section 6890.

4330 Annual Update. A hospital's qualification for the rural adjustment will be annually determined for each July 1 and, if qualifies, will have its rural adjustment recalculated effective each July 1.

4340 Calculation of Payment. The amount of the rural hospital adjustment will be based on the hospital's Medicaid utilization rate for services provided during its fiscal year that ended in the calendar year ending two years prior to the annual update. (Example, for July 1, 1995, the hospital's fiscal year ending in 1993 will be used). The hospital's total charges for Medicaid covered inpatient and outpatient services will be divided by the hospital's total charges for all patient services provided during its fiscal year. Charges from out-of-state Medicaid programs may be included in the calculation if a hospital requests an administrative adjustment under section 6850.

The resulting Medicaid utilization rate shall be used to select the hospital's rural hospital adjustment percentage according to the following table. The adjustment percentage multiplied by the rate per outpatient visit determined according to section 4200 shall be the *rural hospital adjustment per outpatient visit*. The rate per outpatient visit used from section 4200 will not include any administrative adjustments for case mix, capital expenditures and combined settlement years.

(Adjustment percentages are listed on next page, page 4.)

5925 Calculation of Outpatient Indigent Care Allowance

The outpatient indigent care allowance will be calculated for each qualifying hospital, as formulated below, based on its expenses attributed to outpatient services provided to low-income persons.

GAEXPOUT For each qualifying hospital, expenses attributable to outpatient services provided to low-income persons as determined according to section 5915 above.

ΣGAEXPOUT The sum of GAEXPOUT for all qualifying hospitals.

TOTMAX The maximum funding to be distributed which shall be the lesser of
(1) the target funding of section 5980 or
(2) ΣGAEXPOUT.

RATIO The proportion of each qualifying hospitals GAEXPOUT to ΣGAEXPOUT, calculated as follows: $RATIO = GAEXPOUT / \Sigma GAEXPOUT$

OUT_ICA The annual outpatient indigent care allowance for each qualifying hospital, calculated as follows: $OUT_ICA = RATIO \times TOTMAX$

5930 Payment of Indigent Care Allowances

Each qualifying hospital's annual outpatient indigent care allowance (OUT_ICA), divided by twelve, will be the amount which will be paid to the hospital for each month of the year July 1 through the subsequent June 30th.

5940 Federal Upper Payment Limit

Payments of the indigent care allowance by the Wisconsin Medicaid program will be discontinued if and when total payments for outpatient hospital services during a year July 1 through June 30 will exceed the upper payment limit requirements found at 42 CFR 447.321.

5960 Combining Historical Financial Statistics of Recent Hospital Combinations

Hospital combinings result from hospitals combining into one operation, under one WMAP provider certification, either through merger or consolidation or a hospital absorbing a major portion of the operation of another hospital through purchase, lease or donation of a substantial portion of another hospital's operation or a substantial amount of another hospital's physical plant.

When hospitals combine into one hospital, the required years of historical data may not be available for the combined operation for one or more rate years after the combining occurs. Whenever a required year of data is available for a full year of the combined hospital operation, then that year of data is used. However, if a full year is not available for the combined operation, then data of the individual hospitals for the required years is combined or added together for the calculations under this §5900.

5980 Target Funding for Outpatient Indigent Care Allowance.

The total target funding for the outpatient indigent care allowance is \$7,336,697 for each rate year July 1, 2000 through June 30, 2001 and July 1, 2001 through June 30, 2002.

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TN # 00-005
Supersedes
TN # 99-012

Approval Date _____

Effective Date 7/1/00